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PRELIMINARY RESPONSE TO NEW DIRECTIONS FOR CHILD CARE

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
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ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total inter-governmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

Association Sections:

* County and Regional Section
* Large Urban Section
* Northern Ontario Section (FONOM/NOMA)
* Rural Section (ROMA)
* Organization of Small Urban Municipalities Section

Association Affiliates:

* Association of Municipal Clerks and Treasurers of Ontario
* Association of Municipal Tax Collectors of Ontario
* Municipal Engineers Association
* Ontario Municipal Administrators Association
* Ontario Municipal Personnel Association
* Ontario Municipal Social Services Association
* Society of Directors of Municipal Recreation of Ontario
* Urban Finance Officers Association of Ontario

To the Municipal Clerk:

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PRELIMINARY RESPONSE TO NEW DIRECTIONS FOR CHILD CARE

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AMO Report 88-2 - Preliminary Response to New Directions for Child Care was forwarded to the Honourable John Sweeney, Minister of Community and Social Services and the Honourable John Eakins, Minister of Municipal Affairs in February 1988.

EXECUTIVE SUMMARY

The following report represents a preliminary response to the Provincial Government's child care policy as outlined in New Directions for Child Care. The report is not restricted to just those issues raised in New Directions nor does it restrict itself to Provincial policy only, rather the report looks at child care from a broad perspective in attempting to make recommendations on the municipal role in child care. The report is preliminary in that the policy and program framework is not yet complete. For example, the negotiations between the federal government and the Provinces on cost-sharing have not yet been completed. Provincially, the Ministry of Community & Social Services has yet to set its income-testing policies.

The report proceeds from a belief that families in all regions should have equal access to a range of appropriate services. In operational terms, the Association supports in principle the gradual movement towards **more** accessible and affordable child care.

In terms of service delivery, the Association recommends that the principle of local discretion be maintained but that municipalities should be encouraged, primarily through the incentive structure, to provide child care services. The Association believes that the **responsibility** for ensuring that service requirements are met should rest with the Provincial government, which is better placed to ensure that a range of programs is developed in all areas of the Province. Under this model, municipalities would be one of many service providers.

In terms of funding, the Association is recommending that the Provincial government provide 100% funding for capital construction and that the direct grants be funded 100% by the Province. With respect to subsidies, the Association recommends that the Provincial government assume a **greater proportion** of the cost of child care subsidies.

It should be noted that the Rural Section (ROMA) does not feel that municipalities should be involved in child care. The Section felt that many small and rural municipalities do not have the financial and/or administrative capability to provide child care services and that in these areas, private sector service delivery would be more appropriate.

The report also examines the National Child Care Strategy in some detail and makes several recommendations in this regard. Other issues addressed include pay equity and transitional grants.

AMO's comments have been submitted to the Minister of Community & Social Services as a preliminary response to New Directions for Child Care. The Association will be completing its response as further information becomes available. The report will also assist the Association in responding to the forthcoming consultation document of the Provincial-Municipal Social Services Review.

SUMMARY OF RECOMMENDATIONS

1. The Association applauds the federal government's increased financial commitment to child care while being concerned that the capping of federal expenditures may have a negative effect in the long run.

2. The Association welcomes the new federal cost-sharing in the area of capital and operating expenditures and would recommend that the Provincial government pass through the full benefits to municipalities.

3. The Association endorses the program changes allowing for the flowing of direct grants to, and the purchase of service from, commercial child care centres, subject to an effective program to ensure the quality of care.

4. The Association recommends the inclusion of a statutory guarantee of federal child care expenditures, with appropriate provisions for inflation and growth, in the new Canada Child Care Act.

5. The Association supports in principle the gradual movement towards more accessible and affordable child care.

6. The Association applauds the provincial government's increased financial commitment to child care.

7. The Association supports the new direction towards cost sharing the development of innovative new service models.

8. The Association recommends that the capital grant rate for municipal child care centres be set at 100%

9. The Association recommends that the direct grants be funded 100% by the Province.

10. The Association supports the application of direct grants funding to financing salary increases resulting from the implementation of Bill 154.

11. The Association recommends that where Bill 154 does not apply, the Ministry of Community & Social Services fully cost-share any salary increases resulting from a formal job evaluation study.

12. The Association recommends that the transitional grants funding be maintained until the procedure for determining and cost sharing actual cost per diems is resolved.

13. The Association supports in principle the shift to income testing.

14. The Association believes that families in all regions should have equal access to a range of appropriate services.

15. The Association recommends that the principle of local discretion be maintained but that municipalities be encouraged to provide child care.

16. The Association recommends that the Provincial government assume a greater proportion of the cost of day care subsidies.

17. The Association recommends that the Provincial government be responsible for encouraging and coordinating the development of child care programs around the Province.

18. AMO recommends that where municipalities with social services responsibilities have the capacity to administer the income test for child care subsidy, the municipality should assume the function. Where municipalities with social services responsibilities do not have the administrative capacity to administer the income test, the provincial government should administer the test.

BACKGROUND

The first day care centres were established in Montreal and Toronto in the mid-nineteenth century to care for children of widowed, deserted or unmarried women who needed to work, or as a support for families in crisis. The number of centres increased with the advent of both World Wars because of the need for women in the workforce. At the conclusion of World War I, many of the centres closed since women were no longer needed in the workforce. Another factor which contributed to the closing of the centres was the introduction of the Mother's Allowance Act which allowed widowed mothers to stay at home and raise their children. Following World War II, many day centres closed as mothers resumed their role in the home, however many women remained in the workforce to meet the demands of a growing economy.

During World War II, the first federal-provincial cost-sharing of day care came into effect with the Dominion-Provincial War-Time Day Nursery Agreement. The agreement was for a 50/50 sharing of two thirds of the total operating expenditures, with parents' fees making up the difference.

In 1946, Ontario passed the Day Nurseries Act which required centres to be licensed and inspected; and which provided 50% subsidy to municipalities operating centres. With the signing of the Canada Assistance Plan (CAP) in 1966, the federal government formalized 50% federal contributions to social programs including day care, and Ontario raised its subsidy to 80% for subsidized spaces in both the municipal centres and in purchase of service agreements.

Today, there are approximately 200,000 licensed day care spaces nationally. In Ontario, as of March 31, 1987 there were 2,317 licensed group care facilities with a total licensed capacity of 85,663 spaces. The number of children enrolled in group care centres as of March 31, 1987 was 114,186. From a municipal perspective, 101 Ontario municipalities administer child care subsidy, approximately 60 municipalities operate around 180 day care centres with a capacity of over 8,500 spaces and over 80 municipalities have approximately 1200 purchase of service agreements with private operators.

While there are over 100,000 children enrolled in licensed child care programs, "it is estimated that this represents only about 20% of the children whose parents work. Child care programs are unevenly distributed across the province and do not serve a full range of needs equally well. Programs are difficult to find in rural areas, for shift-workers, and for irregular hours or emergency situations. Services for infants and school-age children are particularly lacking. The majority of children are cared for in private informal arrangements, but even these types of arrangements can be unreliable, difficult to find, and of variable quality." (New Directions for Child Care).

INTRODUCTION

Child Care has become one of the most important public policy issues of the 1980's. The federal government has undertaken two comprehensive examinations of the issue with the Report of the Task Force on Child Care (March, 1986), and the Report of the

Special Committee on Child Care (March, 1987). The Task Force on Child Care, chaired by Dr. Katie Cooke, found that "a fully publicly funded system of child care in the year 2001 would cost a total of $11.3 billion to deliver." The Special Committee on Child Care made recommendations which would more than double the federal government's financial commitment to child care. The majority of the funding would continue to be transferred through the tax system. The Special Committee also recommended that the federal government cost-share capital and operating grants in addition to subsidies through the Canada Assistance Plan.

On December 3, 1987, the federal government released its National Child Care Strategy. The strategy, which is described in detail in the following section, includes tax incentives, a Special Initiatives Fund, and enhanced federal cost-sharing of a broader range of service components.

In Ontario, the Provincial Government released the report New Directions for Child Care in June 1987. The Report redefined the government's child care policy in a number of fundamental ways while identifying many issues for further review in consultation with interested parties. The central reference point of New Directions is that child care should be a public service, not a welfare service. To this end the total expenditure on child care by the Ministry of Community & Social Services will be increased by 133% over the next three years. Other highlights include the implementation of a new Child Care Development Program and the development of a new Child Care Act.

The federal and provincial announcements will have a dramatic impact on the municipal role in child care, however the full impact cannot be assessed at this point in time as certain key issues have not been resolved. For example, the details of the federal-provincial cost-sharing are currently being worked out in negotiations between the two senior levels of government. Provincially, the Ministry of Community and Social Services has yet to set its income testing policies. The purpose of this report is to analyze, to the extent possible, the impacts of the changes in federal and provincial policy on municipalities and to define the municipal role in child care. The report will be submitted to the Minister of Community & Social Services as the preliminary AMO response to New Directions for Child Care and will assist the Association in responding to the report of the AMO/OMSSA/MCSS Provincial-Municipal Social Services Review which is currently examining the existing relationships for financing and delivering social assistance and social services including child care.

NATIONAL CHILD CARE STRATEGY

The federal role in child care must be examined in before/after terms, i.e., before and after the National Child Care Strategy. Prior to the release of the National Child Care Strategy, the federal government participated directly in child care delivery through the Canada Assistance Plan (CAP) as well as indirectly through the tax system. Under CAP, the federal government contributed 50% of the cost of day care subsidies for low income families via two models: a social assistance model and a welfare service model. Under the social assistance model, subsidies could be flowed to both non-profit and commercial day care centres, via a needs test. Under the welfare service model, subsidies could only be flowed to non-profit centres, via income testing. In either case, funding was

open ended, i.e., provincial spending determined the federal contribution. In 1986, the federal government spent just over $100 million on CAP day care subsidies. Total federal expenditures on child care exceeded $300 million, with the Child Care Expense Deduction accounting for the bulk of the difference.

The National Child Care Strategy, announced on December 3, 1987 significantly expanded the federal role in child care. The strategy provides for an expenditure of $5.4 billion over a seven year development period and then annual allocations of approximately $1 billion dollars. Of the $5.4 billion dollars, $2.3 billion will be transferred through the tax system, $100 million will be allocated to a Child Care Special Initiatives Fund, and up to $3 billion will be transferred to the provinces under a new Canada Child Care Act.

On the tax side, the federal government is doubling the Child Care Expense Deduction to $4,000 for children under six or with special needs. The deduction will remain at $2,000 for children between 7 and 14 years of age. In both situations, the cap of $8,000 on the deduction is being removed. The government is also increasing the Child Care Tax Credit by $200 for children six and under. This will provide some assistance to families who do not have receipts for child care expenses or where one parent stays at home to care for the children.

The $100 million Child Care Special Initiatives Fund will be devoted to promoting research and development in child care over the next seven years. Priority will be given to projects which focus on improving the quality and flexibility of child care services. Areas targeted for immediate attention include rural child care, employer-related child care, services for native children, and integrative support services.

The new Canada Child Care Act will replace the existing day care provisions in the Canada Assistance Plan. "The emphasis of the new Act will be on boosting the existing system from its current underdeveloped state into one that offers more accessible and affordable quality child care arrangements to Canadian families." The new legislation will provide for federal cost-sharing of a much broader range of provincial expenditures. The federal government will now cost-share provincial capital expenditures on non-profit child care at a rate of 75%. It is expected that 200,000 new child care spaces will be created through the new cost-sharing program, which represents a doubling of the current levels (see Table 1 below). The federal government will also be cost-sharing direct grants to both non-profit and commercial child care centres. The details of the federal-provincial cost-sharing are currently being worked out in negotiations with the Provinces.

TABLE 1

INTERPROVINCIAL COMPARISON OF DAY CARE SPACES

PROVINCE	CENTRE SPACES	FAMILY DAY CARE SPACES
Newfoundland	922	-
PEI	1,165	154
Nova Scotia	4,783	82
New Brunswick	3,410	72
Quebec	49,470*	3,060
Ontario	77,251	6,412
Manitoba	8,201	1,530
Saskatchewan	3,632	1,892
Alberta	32,635	5,349
B.C.	15,714	4,086
Northwest Territories	305	30
Yukon	314	48
TOTAL	197,802	22,715

* 16,793 of Quebec's spaces are operated under the auspices of the Department of Education.

SOURCE: Status of Day Care Canada, 1986.

AMO RESPONSE

The Association's comments on the National Child Care Strategy are restricted to the new Canada Child Care Act. The scope of this report does not extend to the consideration of the tax system component of the strategy. Suffice it to say that the Association recognizes the tax provisions as an important component of the framework of family support programs in Canada which only the federal government can provide. With respect to the Child Care Special Initiatives Fund, the Association is naturally supportive of any effort to improve the quality and flexibility of child care services.

Without knowing the outcome of the negotiations between the federal government and the Provinces, it is impossible to provide a final position on the National Child Care Strategy. The Association is generally supportive of the federal government's increased financial commitment to child care and particularly welcomes the broadening of the federal cost-sharing base to include capital and direct grants. The Association is also relieved that direct grants will be available to commercial centres and that municipalities will be able to continue purchasing subsidized spaces in commercial day care centres.

On the other hand, the Association is concerned that federal cost-sharing will no longer be open-ended.

1. **The Association applauds the federal government's increased financial commitment to child care while being concerned that the capping of federal expenditures may have a negative effect in the long run.**

2. **The Association welcomes the new federal cost-sharing in the area of capital and operating expenditures and would recommend that the Provincial government pass through the full benefits to municipalities.**

Prior to the release of the National Child Care Strategy, the Ontario government had made a commitment in New Directions to provide direct grants to licensed, non-profit programs. At that time the Province indicated that it was prepared to extend direct grants to the existing commercial sector provided that the federal restrictions could be removed. Since many municipalities rely almost exclusively on purchasing spaces in the commercial sector and most municipalities purchase some, the Association was concerned that these centres receive funding. As the Honourable John Sweeney pointed out, "it would not be equitable, fair or just to give the additional money (to the non-profit centres) and have the parents in half the system benefit from it and the parents in the other half of the system not be able to benefit." (Hansard, February 5, 1987, p. 5223).

With respect to the purchasing of subsidized spaces in commercial day care centres, in New Directions for Child Care the government of Ontario announced that the needs test for subsidy would be replaced with an income test. In effect this meant that the Provincial government was shifting from delivering subsidies under the social assistance provisions of CAP to the welfare service provisions of CAP. As previously mentioned, under the welfare service provisions, subsidies could only be flowed to non-profit centres. Since over half of the approximately 1200 purchase of service contracts which Ontario municipalities have entered into are with commercial operators, the Provincial decision to shift to an income test would have seriously reduced the ability of municipalities to provide day care services without the parallel change to the federal program which was included in the National Strategy for Child Care.

3. **The Association endorses the program changes allowing for the flowing of direct grants to, and the purchase of service from, commercial child care centres, subject to an effective program to ensure the quality of care.**

While the new Canada Child Care Act provides for increased flexibility in terms of what types of things the federal government will cost share, cost-sharing is no longer open-ended, i.e. the federal government has allocated a fixed amount of money to be distributed among the Provinces. This means that there will always be a continuing struggle to maintain that expenditure level or increase it if necessary. It will also mean that child care is open to fiscal restraint programs. Experience has shown that at such times, the federal government targets all of its dollars leaving it up to the Provinces to provide unilateral assistance over and above that. We are concerned that the capping of child care expenditures may have a negative effect in the long run. One measure which has been suggested is to include a statutory guarantee of federal child care expenditures in the legislation. This approach is common in other areas of federal expenditure, and while continued open-endedness would be the ideal solution, the Association would endorse the statutory guarantee approach as a reasonable alternative.

4. **The Association recommends the inclusion of a statutory guarantee of federal child care expenditures, with appropriate provisions for inflation and growth, in the new Canada Child Care Act.**

NEW DIRECTIONS FOR CHILD CARE

Like the federal role, the Provincial role in child care must also be examined in before/after terms, i.e., before and after New Directions for Child Care. Prior to New Directions for Child Care the provincial role included policy and program development, coordination of local initiatives, the provision of consultation and technical assistance, and the licensing, inspection and enforcement function. In terms of cost-sharing the Provincial government cost-shared capital costs on a 50-50 basis in addition to 30% of all subsidy expenditures (the cost sharing framework for subsidy was 50% federal, 30% provincial, 20% municipal). Provincial child care expenditures rose from $82.2 million in 1983-84 to $139.2 million in 1986-87.

New Directions for Child Care

On June 4, 1987, the Honourable John Sweeney, Minister of Community & Social Services, tabled the Provincial Government's New Directions for Child Care policy. Under New Directions, planned expenditures for 87-88 are $185 million, rising to $277.6 million in 88-89 and $324.7 million in 89-90. These dramatic funding increases reflect the Provincial government's desire to recognize child care as a basic public service as opposed to a welfare service. In addition to increasing the number of child care spaces overall and the number of subsidized spaces, the Provincial government will now be providing direct grants to child care centres.

Capital Funding

New Directions targets the key issues of accessibility, affordability, and quality, through an integrated strategy involving capital funding, direct grants, and increased subsidies. Over the next three years $33 million dollars will be allocated to support the construction of new child care centres. Funding for community projects in the non-profit sector will rise immediately up to 80% while cost-sharing for municipal capital projects will generally remain at 50%. In addition to the Ministry of Community & Social Service's capital funding, the Ministry of Education will provide separate capital funding of $11 million for the provision of child care spaces in new schools.

Direct Grants

New Directions introduces a new funding source for child care in the form of direct grants. The purpose of the direct grants will be to improve the quality of care while keeping user fees down, with priority being given to improving salaries. Approximately 30% of the new funding is being devoted to the direct grants.

Subsidies

The other approximately one-third of the new funding will be devoted to increasing the number of subsidized spaces from the current level of approximately 44,000 to approximately 57,000.

Income Testing

In addition to increasing the number of subsidized spaces, the government is shifting from the needs test to an income test as the method of determining eligibility for subsidy.

Child Care Development Program

Under the old Child Care Incentives Program innovative approaches to child care were developed and the informal sector was drawn into a support network. New Directions for Child Care builds upon this program with the Child Care Development Program. Under the Program, funding will be provided to encourage the development of new models of service delivery in the key areas of shift work and emergency care, the integration of children with special needs, school age children, and care for children in rural and isolated communities. This program parallels the federal Child Care Special Initiatives Fund.

A New Child Care Act

With all of the new directions, the Day Nurseries Act, originally introduced in 1946, will be replaced with a new Child Care Act. The new legislation will follow an orderly and extended development process beginning with the introduction of a discussion paper during the 1988-1989 fiscal year and the introduction of the new legislation for the beginning of the next three-year planning cycle in 1990.

AMO RESPONSE

Accessibility

The central reference point of New Directions is that child care should be a public service, not a welfare service. Currently, financial assistance for child care is directed primarily to low-income families. The government is proposing that all families who wish it can have reasonable access to a range of affordable, high quality services with parents contributing to the cost according to their ability to pay. The Association supports in principle the gradual movement towards **more** accessible and affordable child care.

5. **The Association supports in principle the gradual movement towards more accessible and affordable child care.**

Funding

The fundamental issues that have to be addressed through child care policies and programs are accessibility, affordability, and quality. New Directions for Child Care addresses these three issues through significant increases in funding. The total expenditure on child care by the Ministry of Community & Social Services will be increased by 133% over the next three years with new funding roughly split between subsidies, direct grants, and capital grants. Setting aside the impact of increased provincial funding on municipal expenditures for the moment, in keeping with the Association's support for the gradual movement towards more accessible and affordable child care, the Association supports the provincial government's increased financial commitment to child care.

6. **The Association applauds the provincial government's increased financial commitment to child care.**

Capital Grants

As previously mentioned, over the next three years, the Ministry of Community & Social Services will provide increased capital funding totalling $33 million while the Ministry of Education will target an additional $11 million for the development of child care facilities in new schools. The accessibility problem cannot be solved simply be expanding the number of child care centres; more attention must be paid to the more difficult accessibility problems such as the need for alternative forms of care in urban areas or the problems in providing care in rural and isolated areas. In this regard, the promise of flexibility in the provincial cost-sharing of major capital projects is probably more important than the funding itself.

7. **The Association supports the new direction towards cost-sharing the development of innovative new service models.**

In terms of funding rates, New Directions introduces a two-tiered funding system with community non-profit centres being eligible for 80% funding while municipalities will "generally" remain at 50 per cent. We are not sure what "generally" means, but we do believe that the level of capital support should be the same regardless of the mode of delivery. Whereas the Association was prepared to recommend that municipal capital projects be funded at the 80% level, with the federal government announcing that it will cost share capital funding with the Provinces on a 75-25 basis, the Association is recommending that capital projects be funded 100% by the Province.

8. **The Association recommends that the capital grant rate for municipal child care centres be set at 100%.**

Direct Grants

The introduction of direct grants is meant to improve quality while making the service more affordable. Initially, priority will be given to improving salaries. The Association does not object to the targeting of the salary problem initially, in fact the introduction of the direct grants is quite timely with the recent proclamation of the Pay Equity Act (Bill 154), however the Association hopes that ultimately the direct grants will be available to address a wider range of goals.

While the provincial government has not made any reference to cost-sharing in terms of the direct grants, and while we do not expect any suggestion that the direct grants be cost-shared, the Association would like to be on record as opposing any municipal contribution to the funding of the direct grants.

9. **The Association recommends that the direct grants be funded 100% by the Province.**

With respect to pay equity, the proclamation of the Pay Equity Act (Bill 154) as of January 1, 1988 will have an obvious impact on operating costs and fees in municipal centres. The Association supports the application of direct grants funding to financing salary increases resulting from the implementation of Bill 154. Where Bill 154 does not apply, the Association would expect that the Ministry of Community & Social Services will respect the spirit of the legislation and fully cost-share any salary increases resulting from a formal job evaluation study.

10. **The Association supports the application of direct grants funding to financing salary increases resulting from the implementation of Bill 154.**

11. **The Association recommends that where Bill 154 does not apply, the Ministry of Community & Social Services fully cost-share any salary increases resulting from a formal job evaluation study.**

While it has been indicated that initially priority will be given to improving salaries, the direct grants are also intended to make the service more affordable. In the past, a number of municipalities adopted the practice of providing indirect subsidies in order to reduce fees and/or maintain a viable service. In 1982, the provincial government directed that this practice be eliminated by 1986. The Ministry of Community & Social Services is currently providing transitional grants to municipally operated centres moving to charging actual per diem costs. The Association recommends that the transitional grants funding be maintained until the procedure for determining and cost-sharing actual cost per diems is resolved. Once that matter is resolved, then the application of direct grants towards reducing the cost of the service should proceed.

12. **The Association recommends that the transitional grants funding be maintained until the procedure for determining and cost-sharing actual cost per diems is resolved.**

Subsidies

In terms of affordability, the increased allocation for subsidies should add about 13,000 additional subsidized spaces over the next three years. The shift to income testing will also enhance affordability. Income testing is examined in more detail below. While the Provincial government can allocate funding to increase the number of subsidized spaces, it is up to the municipalities to pick up those spaces if they desire. It is estimated that if municipalities were to pick up all of these spaces, the municipal cost would be over $10 million dollars. This issue is discussed in further detail under The Municipal Role below.

Income Testing

One of the policy commitments in New Directions is to replace the current needs-test with an income-test as the eligibility screen for subsidy. The current needs test is subject to some local discretion resulting in differences in eligibility for people in similar circumstances in different areas of the province (Table II below illustrates the variation in eligibility around the Province). The needs test can also result in different treatment of individuals in similar circumstances in the same jurisdiction or individuals in very different situations being treated the same. This effect is inherent in the design of the needs test which simply looks at a family's income and expenses to make a determination of need. Comparing two families with the same income, the family with the higher expenses may receive a subsidy, while the thrifty family may not. On the other hand, comparing two families with different incomes, a subsidy could go to the higher income family while the lower income family might be ineligible depending upon the spending habits of both families.

The needs test is inequitable, it penalizes thrift, and because of its asset limitations, also has an uneven impact on groups such as farmers. Income testing on the other hand could be standardized across the Province. In addition, the income test is simpler and less intrusive. On the other hand, there may be families that are income poor but asset rich qualifying for scarce subsidy dollars.

On the whole, the Association supports the shift to income testing. Originally, the Association was concerned about the impact of the shift on the ability of municipalities to continue purchasing spaces in commercial child care centres, however that concern was addressed in the National Child Care Strategy.

13. **The Association supports in principle the shift to income testing.**

The shift to income testing cannot be considered in a vacuum. It is expected that simply by making the system less intrusive and more understandable, subsidy applications will increase. However, the whole thrust of New Directions is towards broadening eligibility. With respect to income-tested subsidies New Directions states: "An income-test can allow partial subsidies for lower-middle income families and full subsidies for those at the lower end of the income scale, making child care a more affordable prospect for a wider range of Ontario families." The Provincial government is currently gathering data on eligibility for subsidy around the province. The data will be used to project the impacts of various subsidy scenarios. The impact of the shift to income testing on municipalities will depend upon where the income cutoff is set as well as the

cost-sharing arrangement. It is safe to say, however, that in the vast majority of cases, eligibility for subsidy will be increased. On the other hand, in a few cases standardizing eligibility under an income test could mean that families currently eligible for full subsidy could lose that status. The form of the income test should be announced during 1988, to take effect in January 1989. The Association will, of course, be commenting on the income test policies as they are announced.

TABLE II

TURNING POINTS & BREAK-EVEN POINTS FOR DAYCARE

	Family Size			
	1+1	1+2	2+1	2+22+3
ONTARIO	18-28k 24-33k	21-30k 32-41k	22-31k 27-37k	23-34k25-41k 34-45k41-53k
CAP	24k 36k	28k 42k	28k 42k	32k36k 48k54k

1. A "1 + 1" family is one parent, one child in day care, and so on.

2. Full subsidy ceases at the turning point income level; all subsidy ends at the break-even point income level.

3. Because of local discretion in the application of the needs test, a range of eligibility is shown.

4. Source: Sharing the Responsibility-The Report of the Special Committee on Child Care.

THE MUNICIPAL ROLE

Currently, municipal involvement in the delivery of child care services in Ontario is optional. Municipalities may be involved in child care in a planning and coordinating role, through the administration of child care subsidies, through direct service delivery, through purchase of service agreements, or any or all of these ways. Approximately 100 Ontario municipalities are currently administering day care subsidies (see Table III below). Sixty municipalities are currently operating 179 child care centres with over 8,500 spaces (in terms of direct delivery this represents only approximately 8% of the facilities and 10% of the spaces--see Table IV below). Eighty-four municipalities have approximately 1200 purchase of service agreements with private operators.

TABLE III

MUNICIPALITIES CURRENTLY ADMINISTERING CHILD CARE SUBSIDIES (BY TYPE)

TYPE	# OF MUNICIPALITIES
COUNTY	18
REGION	11
CITY	18
TOWN	34
TOWNSHIP	15
VILLAGE	3
OTHER	2

TABLE IV

DAYCARE FACILITIES AND CAPACITY BY OPERATOR TYPE

OPERATOR TYPE	FACILITIES	CAPACITY
Approved Charitable Corporation	175 (9.5%)	5,558 (6.5%)
App. Char. Handicapped Corp.	37 (1.6%)	827 (1%)
Charitable Corporation	832 (36%)	28,169 (33%)
Indian Band	31 (1.3%)	934 (1%)
Municipal Corporation	179 (7.7%)	8,576 (10%)
Non-Charitable Corporation	500 (22%)	22,939 (27%)
Private Individual	459 (20%)	15,771 (18%)
Individual for Uninc. Group	104 (4.5%)	2,889 (3.5%)

SOURCE: Child Care, Annual Statistics, June 1987, Child Care Branch, Ministry of Community & Social Services

The fragmented service delivery system in Ontario, coupled with municipal discretion on administration of subsidy has resulted in the extremely uneven distribution of services throughout the Province. These inequities are exacerbated by differences in application of the needs test. The government has targeted local discretion as being inequitable and incompatible with the goal of greater accessibility to child care in Ontario. On this point it is hard to disagree. The Association believes that families in all regions of Ontario should have equal access to a range of appropriate day care services.

14. **The Association believes that families in all regions should have equal access to a range of appropriate services.**

Having said that, the Association is not prepared to say that child care should be a mandatory municipal program. It must be assumed that those municipalities which are

currently involved in day care have done so by choice and that they have also chosen the level of service which they wish to provide. Their decision has been made in response to local conditions and with regard to budgetary considerations.

The membership of the Association has rejected universally accessible and affordable child care by defeating Pre-Eminent resolution HSS-2 at the 1987 Annual Conference. The operative clause of that resolution read as follows: "be it resolved that the government render the day care system accessible to all at affordable prices and that an appropriate level of grants be maintained." In addition, the Rural Section of the Association has also passed a motion that "child care is a responsibility of the private sector, funded by the province where necessary, and that municipalities not be involved". In this context, it can be seen that mandatory municipal participation in a child care program would be met with considerable resistance and half-hearted participation. The Association believes that municipalities should be encouraged to provide child care services, but not mandated.

15. **The Association recommends that the principle of local discretion be maintained but that municipalities be encouraged to provide child care.**

Municipalities can be encouraged to provide child care services in many ways. Local councils are most likely to respond to pressure from the local electorate, however, the incentive structure can also go a long way towards encouraging municipal participation. Fully funded capital and direct grants may attract some municipalities to the child care field. However, the cost of child care subsidies, particularly under an expanded system, may represent the greatest barrier to municipal participation. The 80-20 formula was implemented at a time when child care was a welfare program and the system was highly underdeveloped relative to todays standards. As the system has grown, the ability of municipalities to finance their contribution from the property tax base, has diminished. The 80-20 formula must also be reviewed in light of the provincial decision to add 13,000 subsidized spaces and shift to an income test. Without a change in the subsidy formula, it is likely that a number of municipalities will be reevaluating the level of service that they currently provide. As such, the Association would recommend that the Provincial government assume a greater proportion of the cost of each subsidized space.

16. **The Association recommends that the provincial government assume a greater proportion of the cost of day care subsidies.**

An improved incentive structure should attract increased municipal participation, however that in itself will not guarantee that families in all regions will have equal access to a range of appropriate services. This goal will only be achieved through the establishment of a centre of responsibility for overall planning and coordination of services. The Association feels that this responsibility logically rests with the provincial government. The Ministry of Community & Social Services is a decentralized Ministry with a network of regional, area, and district offices, which could be responsible for ensuring that a range of programs is developed in all areas of the Province. With the new federal contribution to capital costs, the increased Provincial commitment, and the commitment of both levels of government to the development of new models of service, the demand for program development funds should be quite strong. At a time when the child care service delivery infrastructure will be undergoing significant expansion and development, it is of utmost importance that this process be controlled

and coordinated by one body. This responsibility would naturally involve close consultation with municipalities.

17. **The Association recommends that the Provincial government be responsible for encouraging and coordinating the development of child care programs around the Province.**

As previously mentioned, approximately 100 Ontario municipalities are currently administering the needs test. Depending upon the income testing policies and future cost-sharing arrangements, this figure may rise. Nevertheless, it will be the responsibility of the provincial government to ensure access to income tested subsidies in all areas of the province. Some municipalities with social services responsibilities may be able to assist the Ministry by administering the income test. The Association feels that if a municipal social services department has the capacity to administer the income test, then it should provide that service. Where the municipality does not have the administrative capability to do income testing, it will be up to the provincial government to do so, or to ensure that it is done.

18. **AMO recommends that where municipalities with social services responsibilities have the capacity to administer the income test for child care subsidy, the municipality should assume the function. Where municipalities with social services responsibilities do not have the administrative capacity to administer the income test, the provincial government should administer the test.**

APPENDIX I

SECTION COMMENTS

RURAL SECTION

At its January 14, 1988 meeting, the Rural Section (ROMA) Executive Committee reaffirmed its earlier motion that "daycare is a responsibility of the private sector, funded by the province where necessary and that municipalities not be involved."

The Rural Section felt that many rural municipalities do not have the financial and/or administrative capability to provide child care services, and that in these areas, private sector service delivery would be more appropriate.

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